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ADB's kill coal plan, government corporations, and power transmission

By Bienvenido S. Oplas, Jr. – September 13, 2021

https://www.bworldonline.com/adbs-kill-coal-plan-government-corporations-and-power-transmission/

The past two weeks, these stories in *BusinessWorld* caught my attention: "ADB studying feasibility of acquiring, retiring coal plants in PHL" (Aug. 30), "DoF to support shift to low-carbon energy production" (Aug. 31), "ADB urged to rule out investment in fossil fuel" (Sept. 2), "Gov't think tank backs stimulus to be directed to 'green recovery'" (Sept. 2).

The Asian Development Bank (ADB) is planning to acquire coal power plants in the Philippines, Vietnam, and Indonesia, and retire them early, to be replaced by renewables like biomass, solar, and wind. This a joint lobby by European countries and four private finance institutions — Prudential UK, Citi, HSBC and BlackRock.

How much will they spend for this? They will be spending $16 billion to $29 billion for half of Indonesia's coal capacity, $9 billion to $17 billion for Vietnam's, and $5 billion to $9 billion for the Philippines'.

The Department of Finance (DoF), the Philippine Institute for Development Studies (PIDS), and many environmental NGOs jumped in to support the ADB plan. These institutions and groups are blind to certain facts so they made that irrational proposal.

One, they repeatedly bully smaller Asian economies like the Philippines, Vietnam, and Indonesia but not China and India. For instance, the combined coal consumption of these three countries in 2019 was 6.21 exajoules (1 EJ = 277.78 terawatt-hours), which was only 33.4% of India's and 7.6% of China's coal consumption.

Two, the coal consumption of these five Asian countries contributed to their huge expansion. They relied on cheap, stable coal power, and their 2019 consumption is 3.7 times to 24 times their 1990 coal consumption.

Three, by way of contrast, three large European countries — Germany, Italy, and the UK — shrank their coal consumption in 2019 to only 0.1 to 0.5 times their 1990 level, and their GDP expansion was only 1.7 times to 2.4 times in 2019 what it had been in 1990.

Four, in comparison also with two other European countries, Poland and Turkey, that keep their coal consumption high, their GDP expansion was 3.7 times to 9.6 times from 1990 to 2019 *(see Table 1)*.

TABLE 1.

Coal consumption, GDP size, and their expansion from 1990 to 2019

Country	Coal consumption, Exajoules			Expansion 2019 over		GDP size, $ Billion			Expansion 2019 over	
	1990	2000	2019	2000	1990	1990	2000	2019	2000	1990
China	22.08	29.56	81.79	2.8	3.7	397	1,206	14,341	11.9	36.2
India	4.59	6.88	18.60	2.7	4.0	327	477	2,871	6.0	8.8
Indonesia	0.14	0.55	3.41	6.2	23.8	138	179	1,120	6.2	8.1
Philippines	**0.04**	**0.17**	**0.73**	**4.4**	**16.3**	**51**	**84**	**377**	**4.5**	**7.5**
Vietnam	0.09	0.20	2.07	10.5	22.2	8	40	330	8.3	40.1
Germany	5.51	3.57	2.25	0.6	0.4	1,599	1,949	3,862	2.0	2.4
Italy	0.61	0.52	0.28	0.5	0.5	1,169	1,147	2,005	1.7	1.7
UK	2.72	1.54	0.22	0.1	0.1	1,194	1,661	2,833	1.7	2.4
Poland	3.28	2.35	1.86	0.8	0.6	62	172	596	3.5	9.6
Turkey	0.67	0.94	1.76	1.9	2.6	208	274	761	2.8	3.7

SOURCES: BP STATISTICAL REVIEW OF WORLD ENERGY 2021, IMF WORLD ECONOMIC OUTLOOK 2021, AUTHOR COMPUTATIONS

The ADB plan, when finally implemented, will not happen right away, of course. It will take several years. But ADB and its partners will appear hypocritical about their pronouncements on economic recovery. How can countries have sustained economic recovery when there are frequent blackouts, with the big manufacturing plants, hotels, and malls running their own gensets? At night, more blackouts mean more road accidents, more rapes, murders, and other crimes.

Last week, this column discussed the 2022 budget and huge borrowings (*https://www.bworldonline.com/budget-2022-borrowings-and-octa/*, Sept. 6). We follow this up with the huge budgetary subsidy of many government corporations — they are supposed to contribute to the national treasury but are seeking high taxpayers' subsidies instead. For instance, the Social Security System (SSS) and the Land Bank of the Philippines (LBP) got subsidies of P51 billion and P38 billion in 2020.

The subsidy to Department of Energy (DoE) corporations are nearly six times the budget of the DoE itself. Many losing and failing private electric cooperatives are being subsidized by taxpayers via the higher budget allotted to the National Electrification Administration *(see Table 2)*.

TABLE 2.

Some GOCCs that have big subsidies, energy corporations, in P Billion

Big subsidies government-owned and -controlled corporations (GOCCs)	Short name	2022 Total Assets	Budget		
			2020	2021	2022
Total		9,345.7	313.5	158.4	178.1
Land Bank of the Philippines	LBP	2,609.0	38.00	–	–
Social Security System	SSS	673.80	51.00	–	–
National Irrigation Administration	NIA	440.00	35.29	31.66	31.46
Philippine Health Insurance Corporation	PHIC	224.00	71.34	71.35	80.00
Bases Conversion and Development Authority	BCDA	206.30	10.29	2.61	6.49
National Food Authority	NFA	23.46	36.25	7.00	7.00
* Department of Energy - Budget	DOE	–	1.32	2.20	2.13
Department of Energy - GOCCs	DOE	925.18	13.81	11.53	11.01
National Electrification Administration	NEA	16.63	12.87	2.50	1.83
National Power Corporation	NPC	52.01	0.94	1.04	1.19
Power Sector Assets and Liabilities Management Corp.	PSALM	496.16	–	8.00	8.00
* Energy Regulatory Commission	ERC	–	0.50	1.03	0.59

SOURCE: DBM, BUDGET OF EXPENDITURES AND SOURCES OF FINANCING (BESF) 2022, TABLES E.4, B.5.A.

The Power Sector Assets and Liabilities Management Corp., better known as PSALM, is supposed to bring more billions to the Treasury via the privatization of the remaining government-owned power plants, but instead, PSALM will seek P16 billion this year and next year. Why?

The Energy Regulatory Commission (ERC) is very strict in regulating the competitive power generation sector, but is lax when it comes to huge monopoly power transmission. There are many transmission issues, newly commissioned power plants that are not sufficiently connected to the grid, and yet the National Grid Corporation of the Philippines (NGCP) hardly gets a strict warning or regulations from the ERC.

The Philippines has huge outstanding public debt — P7.73 trillion in 2019, P9.80 trillion in 2020, P11.73 trillion in 2021, P13.4 trillion in 2022. How to reduce this and avoid large-scale tax hikes in the coming years?

One alternative is to have large-scale privatization of many government corporations. Candidates are those listed above, and others with huge total assets (2022 levels): the National Transmission Corp. (TransCo), P324.86 billion; the Development Bank of the Philippines (DBP), P1.16 trillion; and the Government Service Insurance System (GSIS), P1.607 trillion.